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REVIEW AND ANALYSIS OF THE LEGISLATIVE HISTORY/INTENT, COST, AN--ETC(U)

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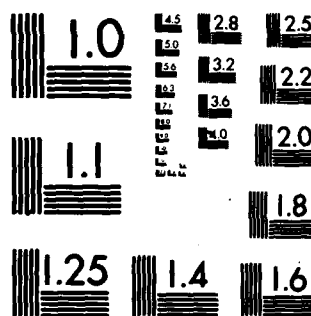
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**REVIEW AND ANALYSIS OF THE LEGISLATIVE HISTORY/INTENT,
COST, AND VALUE OF SPECIAL PAY WHILE ON DUTY AT CERTAIN PLACES**

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20. ABSTRACT (Continue on reverse side if necessary and identify by block number) Certain Places Pay (CPP) is provided to enlisted personnel serving at specified locations outside the contiguous United States as a morale factor and in recognition of the greater-than-normal rigors of service at such locations. Because the CPP rates have not changed since 1949, the pay has declined from about 10 percent of base pay to less than 2 percent. As a basis for developing a set of alternative CPP rates and payment plans, this effort examines the legislative history/intent/CPP, the criteria for awarding the pay, and the cost and value of CPP.		

FOREWORD

This research and development was conducted under Contract N00123-80-D-0591 with REHAB Group, Inc. in response to Navy Decision Coordinating Paper, Military Personnel Cost Projection (NDCP-Z1182-PN), subproject PN.03, Compensation and Incentives for Military Force Management. It was sponsored by the Deputy Chief of Naval Operations (OP-01). The objective of the subproject is to develop techniques, analyses, and procedures that will permit Navy personnel managers to make knowledgeable assessments of the cost and retention consequences of existing and/or proposed compensation policies. The objective of the effort described herein was to examine the legislative history/intent, eligibility criteria, and cost and value of the Special Pay for Duty in Certain Places (CPP). In an ongoing effort, the cost, effectiveness, and administrative burden of the present CPP system is being compared with those of a set of alternative pay schemes. These two efforts should provide an analysis of CPP in sufficient detail to permit OP-01 to make informed decisions concerning legislation designed to modify the CPP system.

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SUMMARY

Problem

Many types of special pays have lost their significance with respect to the total military compensation package. Because some pay rates have not been changed for 20 or more years, they are perceived as token payments by the recipients. Furthermore, it is doubtful whether these pays are fulfilling either their original or current intent. One example is Certain Places Pay (CPP), which is paid to enlisted personnel serving at specified locations outside the contiguous United States to improve their morale and to compensate for the greater-than-normal rigors of service at such locations.

Purpose

The purpose of this research effort was (1) to examine, from an historical perspective, the evolution of CPP, and (2) to describe the Congressional intent, the eligibility criteria, and the cost and value of the pay as it has changed over time.

Approach

An examination was made of the legislative history of Certain Places Pay (CPP), applicable portions of pertinent military compensation studies, and Defense Department budget justifications.

Findings

1. The dollar expenditures for CPP have leveled off from a peak during the Vietnam War of \$127.7 million to about \$25.6 million in FY80. The Army and Air Force account for about 68 percent of the CPP commitment, but the Navy/Marine Corps share has risen dramatically in the last 2 to 3 years.

2. CPP rates have not changed since 1949 when they were set between \$8.00 and \$22.50 per month, depending on the recipient's pay grade.

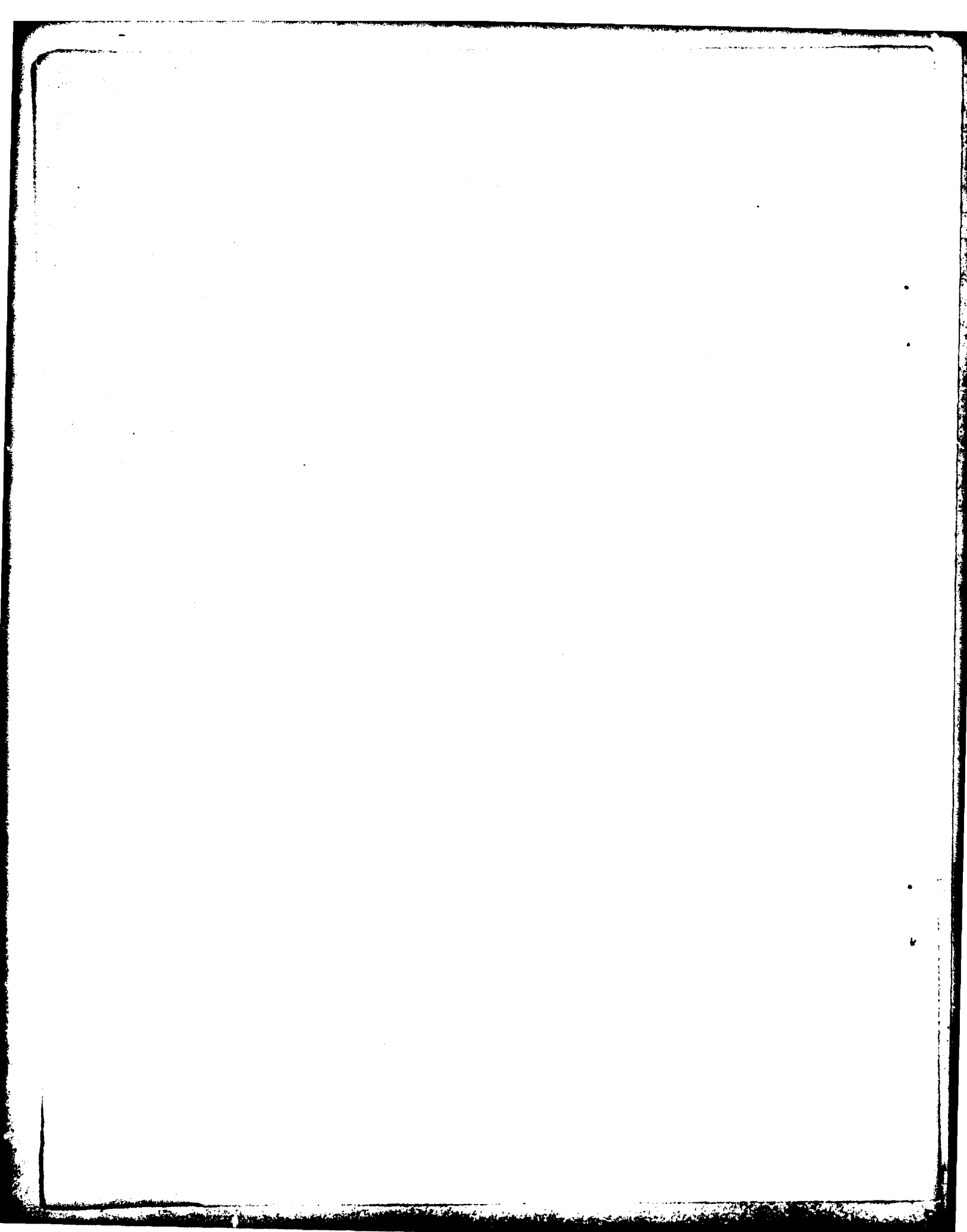
3. CPP has declined from about 10 percent of enlisted basic pay in 1949 to somewhat less than 2 percent currently.

4. In 1979, an E-4's (6 YOS) CPP of \$13.00 was worth \$4.28 in 1949 purchasing power. The dollar value of CPP has remained constant since 1949, resulting in a 67 percent decline in purchasing power since that time.

5. Evolution of the present CPP system over the past 80 years has been characterized by a lack of well-defined intent and quantifiable justification for its continuation. Congressional intent in providing foreign duty pay has been somewhat dependent on U.S. involvement in overseas hostilities.

Conclusion

CPP has declined in value and significance (relative to base pay) so that it is now no more than a "token" payment for rigorous foreign duty.



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INTRODUCTION

Problem

Over the years, Certain Places Pay (CPP), also known as "foreign duty" pay, has evolved from a meaningful addition to basic military pay for foreign service ashore to a token payment for enlisted personnel serving in designated foreign duty areas. The rates of remuneration for such duty have not been changed in 30 years. As a result, although CPP was originally intended to improve morale, it now represents an almost insignificant amount to the individuals who receive it. Moreover, the total appropriation requested by the Department of Defense for CPP for FY80 is approximately \$25.59 million. It may be that this amount could be more effectively applied to meet other internal management needs, or the appropriation could be increased to provide an incentive that would be perceived as meaningful by enlisted personnel.

Purpose

The purpose of this research effort was (1) to examine, from an historical perspective, the evolution of CPP, and (2) to describe the Congressional intent, the eligibility criteria, and the cost and value of the pay as it has changed over time. In an ongoing effort, the cost, efficiency, and administrative burdens associated with the present CPP system will be compared with those of alternative pay schemes (Dorsey, King, Chipman, & Rowe, forthcoming).

A major difficulty encountered in conducting this work was determining the intent of Congress in providing CPP, as differing from the intent of the recommendations of various defense compensation study groups and the services themselves. It is possible that the lack of purpose and inability to provide firm, quantifiable objectives for this special pay is the primary reason why it has become an insignificant payment for purposes of morale.

THE LEGISLATIVE HISTORY/INTENT, CRITERIA, AND ELIGIBILITY FOR CERTAIN PLACES PAY (CPP)

According to background papers of the Third Quadrennial Review of Military Compensation (Third QRMC, 1976a), military personnel serving outside the United States were first awarded extra pay after the Spanish-American War, when the United States emerged as a world power and U.S. forces were extensively deployed "beyond the seas" (see Table 1). At the turn of the century, U.S. forces--officer and enlisted (except Navy)--serving outside the contiguous U.S. received an additional 10 to 20 percent of base pay, respectively, as a reward for serving in a foreign environment. Although persons serving in Hawaii, Puerto Rico, and the Canal Zone were, from time to time, excluded from foreign duty pay, the basic provisions remained unchanged until after World War I when the Joint Services Pay Act of 1922 (42 Stat. 625) abolished foreign duty pay entirely. Twenty years later, in 1942, foreign duty pay was reinstated as a wartime measure and, for the first time, included Navy enlisted personnel. The amount was the same as in 1922: 10 percent of base pay for officers and 20 percent for enlisted.

Table 1

Evolution of Certain Places Pay (CPP) (Foreign Duty Pay)

Action	Intent	Criteria	Eligibility	Amount
3 March 1947	Enticement	Reenter Service in Mexico	Volunteers	\$12.00
Act of May 1900 (31 Stat 211)	Provide Incentive Pay for Hardship and Rigors of Service	Service In Puerto Rico, Cuba, Philippines, Hawaii, Alaska	Army--Officer and Enlisted	0--10% Base Pay (B.P.) E--20% B.P.
Act of 2 March 1901 (31 Stat 303)	Provide Incentive Pay for Hardship and Rigors of Service	Service Outside Contiguous U.S.	Army--Officer and Enlisted	0--10% B.P. E--20% B.P.
3 March 1901 (31 Stat 903)	Broaden Eligibility	Service Outside Contiguous U.S.	Navy Officers USMC Personnel	0--10% B.P. E--20% B.P.
Joint Services Pay Act 1922 (42 Stat 625)	Abolish Foreign Duty Pay	N/A	N/A	N/A
Act of 7 March 1942 (56 Stat 148)	Reinstate Foreign Duty Pay	Service Outside Contiguous U.S.	All Services All Pay Grades	0--10% B.P. E--20% B.P.
Pay Readjustment Act of 1942 (56 Stat 360)	Enact Above Provisions	Service Outside Contiguous U.S.	All Services All Pay Grades	0--10% B.P. E--20% B.P.
Armed Forces Voluntary Recruitment Act of 1945 (PL79-190)	Establish Same Rates for Sea Duty and Foreign Duty	Service Outside Contiguous U.S.	All Services All Pay Grades	0--10% B.P. E--20% B.P.
1948 Hook Commission Recommendations for Career Compensation for the Uniformed Forces	Increase Morale and Offset Extra Expenses Incurred. (Similar to System used by Industry for Unpleasant Work)	Service Outside Contiguous U.S.	All Services Enlisted Only	Flat Rate of \$15/Month
1949 Career Compensation Act (PL-341) (63 Stat 802)	Increase Enlisted Morale	Service Outside Contiguous U.S.	All Services Enlisted Only	Scale of Payments \$8-\$22.50/Month W/Pay Grade (About 10% in 1949)
1953 Strauss Study	Abolish Foreign Duty Pay	N/A	N/A	N/A
1957 Cordiner Committee Recommendations	Increase Morale, Provide Hardship Pay, Repeal Sea and Foreign Duty Pay	Discretionary--Restrictive and Difficult Living Conditions. (Similar to System Used by State Department)	All Services Officer and Enlisted	10%-40% of B.P. Dependent on Hardship
1962 Military Compensation Study Group (Gorham Group) Recommendations	Increase Morale, Provide Pay for Actual Hardship, Repeal Sea and Foreign Duty Pay	Duty at Certain Remote and Isolated Locations Designa- ted by SECDEF	All Services Officer and Enlisted	15-25% of B.P. Dep. On Degree of Hardship
1963 Uniformed Pay Act of 1963 (PL 88-132) (77 Stat 216)	Provide Permissive, Token Payment for Morale Purposes	Duty in SECDEF Designa- ted Area (Undesirable Climate, Lack or Normal Community Facilities, and Accessibility Established as Criteria by Congress) (Presently 344 Designated Areas)	All Services Enlisted Serving in SECDEF Designated Special Places	Same Scale Established by Career Compensation, Act of '49 (i.e., \$8-\$22.50) (Presently Less Than 2% B.P.)

During World War II, sea duty pay and foreign duty pay were linked and rates standardized. This special pay was authorized to (1) offset high living costs incurred in overseas foreign duty and increased costs of family separation, and (2) encourage acceptance of the rigors and hardships of serving overseas.

Since its reestablishment in 1942, foreign duty pay has been a regular addition to basic pay despite the use of cost of living and dollar-exchange allowances (COLA) authorized to ease the burden of overseas assignments. In 1947, the Joint Army-Navy Personnel Board Pay Committee noted that "overseas pay" unnecessarily complicated the pay scale; however, they conceded its value for enlisted personnel as a morale or incentive factor. The Joint Committee was unable to resolve the overseas pay issue, as they split along service lines. The seagoing services desired retention of sea duty pay on the reduced scale of 10 percent extra for all grades. The Army and Air Force felt that, if sea duty pay was retained, foreign pay and a form of field duty pay should be kept at the same rate. This, presumably, was for morale purposes.

In December 1947, then Secretary of Defense James Forrestal, recognizing the need for a comprehensive, unbiased, and objective report on service pay, appointed a committee of eminent civilians to examine the service pay schedules and to report to him their opinion of changes required. This Advisory Commission on Service Pay, chaired by Mr. Charles R. Hook and known as the Hook Commission, transmitted its final report to Secretary Forrestal on 10 December 1948 (Advisory Commission on Service Pay, 1948). This report recommended that sea pay and foreign duty pay for commissioned and warrant officers be eliminated and that, for morale purposes, a flat rate of \$15 per month be provided for enlisted personnel on sea or foreign duty. The commission indicated that overseas pay was to be regarded as a token payment for purposes of enlisted morale. Although the commission initially desired to eliminate all special pays, it was prevailed upon by service representatives to retain, to some degree, sea and foreign duty pay for enlisted men. This decision by the commission was primarily based on consideration of the number of enlisted ratings in the Navy who stayed at sea for a great number of years.

The 81st Congress confirmed the Hook Commission's rationale for continuing foreign duty pay for enlisted morale purposes by enacting the Career Compensation Act of 1949 (63 Stat 802). This act eliminated sea pay and foreign duty pay for all commissioned and warrant officers and adopted a sliding scale of special pay for enlisted personnel in lieu of the flat \$15 a month that the Commission recommended. This scale, which is still in use today (see Table 2), ranges from a low of \$8 per month for the lowest enlisted grade to a high of \$22.50 a month for the top enlisted grades. In passing the act, Congress agreed with the Hook Commission that sea duty and foreign duty were part of the normal career of all members of the uniformed services, and that such members, especially officers, should not be compensated with special pay for overseas assignments that must be anticipated as part of a normal career in the services.¹ They also agreed with the Hook Commission that some small remuneration should be granted to enlisted personnel who serve at sea or foreign stations because of the morale factor involved. The substitution of a sliding scale rate based on pay grade, in lieu of the flat rate that the Hook Commission recommended, was made in committee. Apparently, the change was based on a request from the Navy who, along with the Air Force, had favored a flat 10 percent increase for both officers and enlisted men. This increase was intended to reward men with longer service who went to sea or were assigned foreign duty on a recurring basis and presumably required greater incentive.

¹See House Armed Services Committee, Testimony on Sec. 206 HR 2553/5007, 1949, p. 1637, 2440-2443.

Table 2
Current Certain Places Pay by Pay Grades
(Effective since 1949)

Pay Grade	Monthly Rate \$
E-1 & E-2	8.00
E-3	9.00
E-4	13.00
E-5	16.00
E-6	20.00
E-7--E-9	22.50

Note that this act authorized payment of sea or foreign duty pay for enlisted personnel regardless of (1) their location outside the continental limits of the United States and (2) whether or not their dependents were at their duty station.

Four years later, in March 1953, the Commission on Incentive-Hazardous Duty and Special Pays (the "Strauss Study ") recognized the inconsistency of regarding all enlisted duty at sea and all foreign duty stations in the same light and of limiting eligibility for special pay to enlisted personnel:

As a matter of principle, it is believed that a pay should be intended to meet a specific need and, to be justified, should give tangible evidence of accomplishing its purpose. There is considerable ground for doubt that this pay fulfills any need except by chance.

The report also noted that, although the principal arguments presented by the services in behalf of sea pay and foreign duty pay applied to officers as well as enlisted, only the latter had received such pay since the Act of 1949. These reasons were:

1. To cover increased cost of maintaining two households and extra expenses incurred by the servicemen and their families.
2. To provide compensation for disagreeable or undersirable aspects of sea and foreign duty.
3. To improve morale.

In addition, it argued that the pay was being given to members separated from their families, to those whose families were with them on foreign stations, and even to those without dependents! (Note: This is prior to the establishment of the Family Separation Allowance (FSA)). Finally, the pay was not only given to persons serving long periods at sea or at isolated foreign stations, but also to those serving at many desirable locations.

The Strauss Study did agree that special pay served as a morale factor for those who performed extended periods of disagreeable or undesirable duty. However, because of the

rotational nature of such assignments, it concluded that no special consideration or payment should be given to compensate for them. The report recommended:

1. Extra pay for sea duty and foreign duty should no longer be authorized for military personnel departing from the United States or reporting for sea duty subsequent to 30 June 1953.

2. Extra pay for foreign duty should be terminated on 30 June 1953 for residents of Puerto Rico, Hawaii, and other territories or insular possessions who are on duty in their places of residence.

The Strauss Study recommendations were never acted upon, but the study serves as an excellent source for examining the post-Korean War service rationale for continuing foreign duty pay. In addition to recommending termination of foreign duty pay, the study established a requirement to develop a formula under which all differential pays would be computed as a percentage of base pay. It pointed out that, if the practice of increasing base pay without a corresponding increase in differential pays was continued, differential pays would ultimately represent such a small incentive that their utility would be nullified.

In 1957, the Defense Advisory Committee on Professional and Technical Compensation (Cordiner Committee), after studying the entire area of special compensation practices for overseas duty within the federal government and private industry, recommended legislation to authorize special pay for both officers and enlisted personnel performing duty where unusual hardships existed. It recommended discretionary pay in the amount of 10, 15, 20, or 40 percent of basic pay, depending on the degree of hardship (restrictive and difficult living conditions). The proposal was patterned after the system used by the Department of State. Traditionally, this department had maintained its compensation and benefit structure for foreign service employees on an incentive basis to ensure the retention of qualified career employees. The recommended legislation to implement this proposal was never submitted to Congress, but remained under Defense Department consideration for 5 years until the next compensation study group was formed (Defense Study of Military Compensation ("Gorham Study") 1962).

The Gorham Study concluded that existing provisions for sea pay and foreign duty pay for enlisted members should be repealed and replaced by additional compensation in the form of a special pay ranging from 15 to 25 percent of basic pay for all members of the uniformed services while on duty at specified remote and isolated stations (including specified sea duty). The study noted that the Act of 1949 was deficient in that it did not authorize extra pay for officers assigned overseas irrespective of location or degree of "hardship" involved. It also lacked selectivity in its application to enlisted members and did not recognize unusual hardship conditions. In addition, it noted that the scale of \$8.00 to \$22.50 per month was based upon judgmental factors applied by Congress, and there was no accepted standard against which to measure the adequacy or inadequacy of these amounts. From the experience gained since 1949, the study concluded that the present sea and foreign duty pay was not a significant retention factor, and that the lack of extra pay for duty at remote and isolated locations did have some adverse effect on retention.

The Gorham Study attempted to avoid the problem of determining subtle degrees of hardship by recommending that only two rates of special pay--15 and 25 percent--be authorized. These rates were based upon consideration of the range (10-25 percent) authorized for foreign service and civil service employees, and a desire to set the maximum criteria in determining "extraordinary" hardship for military members at a higher level than that used for other government employees. Also, it was recommended

that the selection of the rate and specific remote and isolated stations (including specified sea duty) be a discretionary authority of the Secretary of Defense.

The Uniformed Services Pay Act of 1963 (77 Stat 216) provided a selective discretionary special pay for duty at certain places, but maintained the sliding scale of rates established in 1949. This act, as originally introduced (HR3006), contained the Gorham Study recommendations and rationale. It proposed that the existing provisions for sea pay and foreign duty pay for enlisted members be eliminated, and that greater compensation, in the form of special pay at rates of 15 and 25 percent of base pay, be provided for officers and enlisted while on duty at specified locations (including sea duty). Instead of endorsing this plan in toto, Congress retained the provisions for special pay for sea duty and duty at certain places for enlisted morale purposes, and adopted a family separation allowance (FSA). The FSA was intended to compensate officers and enlisted personnel who would normally be entitled to transport their dependents and household effects to their duty stations at government expense, but who were denied the right to have their dependents with them for various reasons.

The issue of continuing CPP has been considered as a sidelight to the many changes in military compensation that have occurred since 1963. The reports and rationale of the Quadrennial Reviews of Military Compensation of 1966, 1971, and 1976, as they reflect the changing view of military compensation vis-a-vis CPP, are worthy of brief consideration. (A quadrennial review of the principles and concepts of the compensation system for members of the uniformed services has been required by law (37 USC 1008b) since 1966.)

In December 1966, as the United States became more deeply involved in the war in Vietnam, the Military Compensation Board was convened to conduct the First Quadrennial Review of Military Compensation. The actual study, entitled "Modernizing Military Pay," was begun in March 1966 by an interservice task force headed by Rear Admiral L. E. Hubbell, USN, supplemented by outside consultants (First QRMC, 1967). It focused on regular military compensation (RMC) and retirement pay and was one of the most comprehensive and factual studies of military pay that had ever been undertaken. It recommended a major revision that would include a salary system that would not only be less complex and confusing, but also provide linkage to civilian and civil service pay. Its findings and recommendations concerning CPP were limited by an inability to evaluate precisely the adequacy of existing special pay rates. Although the First QRMC did not find a basis for changing the pay rates, it did believe that special pays should be restricted to clearly identified circumstances that imposed a marked degree of hardship. The final recommendation was that CPP be retained at the existing rates pending an evaluation of the recommended salary system. Findings of the study were reviewed by a policy board composed of Assistant Secretaries of Defense (Manpower and Comptroller), principal service officials, and a representative from the Bureau of the Budget.

The 1971 Quadrennial Review of Military Compensation (Second QRMC, 1971) was convened as the United States presence in Vietnam was being reduced and zero draft calls were in effect. Therefore, adequate compensation to attract the "first-timer" was a primary consideration. In this environment, the Second QRMC limited its study of special pays to those areas most likely to present a critical problem. These were pay to certain personnel (flight and submarine personnel, physicians, dentists, veterinarians), pay under hostile fire conditions, and enlisted allocation and retention pays. Although the Second QRMC did not review CPP, it did note that:

Sea pay deserves mention at this point. The need for an improved incentive to mitigate the arduous requirements of a career at sea has long been recognized. It has further been recognized that the present

coupling of sea pay with Certain Places Pay was an inappropriate grouping as their purpose is not similar.

Thus, for the first time since World War II, sea pay and certain places pay were considered separately by a major compensation study. In choosing not to study sea pay, however, the Second QRMCC relegated CPP to a priority too low to be considered.

The Third Quadrennial Review of Military Compensation focused on total military compensation in an environment of pressure to reduce the defense budget. It sought to reduce costs by increasing the management efficiency of the military compensation system rather than by reducing either manpower levels or individual pay. To accomplish this, a modernized pay and allowance system based on a total compensation comparable to the Federal Civil Service was envisioned (Third QRMCC, 1976c). To account for the inherent hardship difference not found in civilian employment, the Third QRMCC introduced the military factor, defined on two levels, into consideration of military compensation (Third QRMCC, 1976b). Compensation for Level I, which was defined as the general military liability generally experienced by all military members, would be in the form of institutional benefits (e.g., commissary and exchange privileges, and medical care). Compensation for Level II, which was envisioned as an individual military liability contingent on individual assignment to duty involving exposure to risk, hazard, or condition for which all members were not generally liable, would be made through a system of special and incentive pays. The Third QRMCC made no specific recommendations concerning CPP, but did indicate that special and incentive pays were the basic stabilizing element of their recommended modern pay and allowance system.

THE COST OF CERTAIN PLACES PAY

Figure 1 provides the total DoD dollar expenditures for FY65-80, along with the total number of DoD personnel authorized CPP during that time. As shown, the dollar expenditures leveled off from a peak during the Vietnam War (FY69) of \$127.7 million to about \$25.6 million in FY80.

Table 3 provides CPP dollar and man-year expenditures for DoD and each of the individual services for FY70-80, in addition to the percentage share attributable to each service. A few observations from this table are worthy of consideration:

1. Between FY70 and FY80, both the total number of DoD personnel receiving CPP and the dollars expended for CPP declined by roughly 78 percent. This is clearly a result of a cutback in U.S. overseas commitments, particularly in Southeast Asia.

2. While the CPP expenditures of all services has diminished since FY70, the Army and Air Force still have the largest commitments (combined, they account for 68 percent of the expected FY80 dollar expenditure). However, their portion has declined over the decade in favor of the Navy/Marine Corps. The latter's share rose from 20 percent of the total CPP dollars in FY70 to 32 percent in FY80.

3. Because of the larger number of Air Force and Navy personnel in higher grades assigned to foreign locations, their portion of the CPP dollars exceed their share of personnel, while the reverse is true for the Army and Marine Corps.

4. The level and distribution of CPP dollars and personnel have been basically constant since FY77.

A detailed breakdown of DoD CPP expenditures can be found in Appendix A.

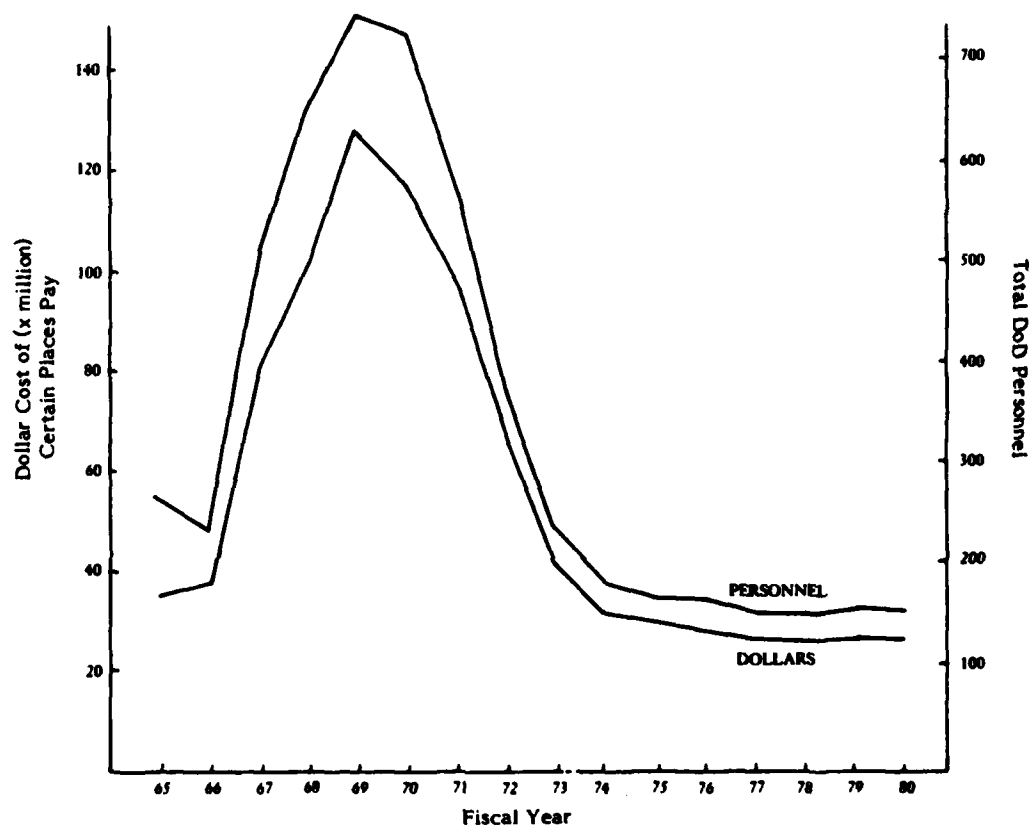


Figure 1. DoD expenditures for Certain Places Pay, FY65-80.

Table 3

Expenditures for and Number of Personnel Receiving Certain Places Pay by Service, FY70-80

Fiscal Year	Air Force		Army		Navy		Marine Corps		DoD Totals	
	Number (% of DoD)	\$ (000) (% of DoD)	Number (% of DoD)	\$ (000) (% of DoD)	Number (% of DoD)	\$ (000) (% of DoD)	Number (% of DoD)	\$ (000) (% of DoD)	Number	\$ (000)
70	166,697 (22.9)	28,656 (24.7)	408,200 (56.0)	63,833 (55.0)	65,107 (8.9)	11,131 (9.6)	88,518 (12.1)	12,572 (10.8)	728,522	116,192
71	145,119 (25.0)	25,385 (26.2)	328,300 (56.5)	54,604 (56.4)	46,704 (8.0)	8,206 (8.5)	60,399 (10.4)	8,594 (8.9)	580,522	96,789
72	122,301 (31.6)	22,053 (33.2)	196,300 (50.8)	33,322 (50.2)	34,658 (9.0)	6,211 (9.4)	33,322 (8.6)	4,763 (7.2)	386,581	66,349
73	108,896 (44.9)	19,795 (46.8)	82,300 (33.9)	14,177 (33.5)	27,451 (11.3)	4,953 (11.7)	23,648 (9.8)	3,382 (8.0)	242,295	42,307
74	87,466 (47.1)	15,965 (49.2)	62,300 (33.6)	10,466 (32.3)	27,885 (15.0)	4,823 (15.1)	7,991 (4.3)	1,166 (3.6)	185,642	32,420
75	74,148 (42.6)	13,557 (44.0)	62,431 (35.8)	11,039 (35.8)	30,684 (17.6)	5,199 (16.9)	6,955 (4.0)	1,015 (3.3)	174,218	30,810
76	62,318 (35.7)	11,320 (37.8)	60,849 (34.9)	10,389 (34.7)	25,423 (14.6)	4,463 (14.9)	25,964 (14.9)	3,782 (12.6)	174,554	29,954
77	50,703 (32.8)	8,989 (34.2)	54,483 (35.2)	9,359 (35.7)	26,720 (17.3)	4,682 (17.8)	22,817 (14.8)	3,214 (12.2)	154,723	26,244
78	48,512 (31.4)	8,534 (33.1)	55,595 (36.1)	9,172 (35.6)	26,153 (17.0)	4,558 (17.7)	23,977 (15.5)	3,538 (13.7)	154,237	25,802
79 ^a	48,677 (31.2)	8,562 (32.9)	55,572 (35.6)	9,159 (35.2)	26,117 (16.7)	4,551 (17.5)	25,513 (16.4)	3,715 (14.3)	155,879	25,987
80 ^a	48,700 (31.7)	8,566 (33.5)	53,599 (34.8)	8,835 (34.5)	26,073 (16.9)	4,544 (17.8)	25,393 (16.5)	3,642 (14.2)	153,765	25,587

^aThe data given for FYs 79 and 80 are estimates.

THE VALUE OF CERTAIN PLACES PAY

When the 81st Congress passed the Career Compensation Act of 1949, the CPP rates provided were about 10 percent of the enlisted members' basic pay. However, since the rates have not been increased since that time, this percent now amounts to something less than two percent due to inflation. As an example, Figure 2 reflects the decline of CPP as a percentage of basic pay for an E-4 (6 YOS) during 1949-80. CPP as a percentage of base pay for all enlisted pay grades during this period is provided in Appendix B.

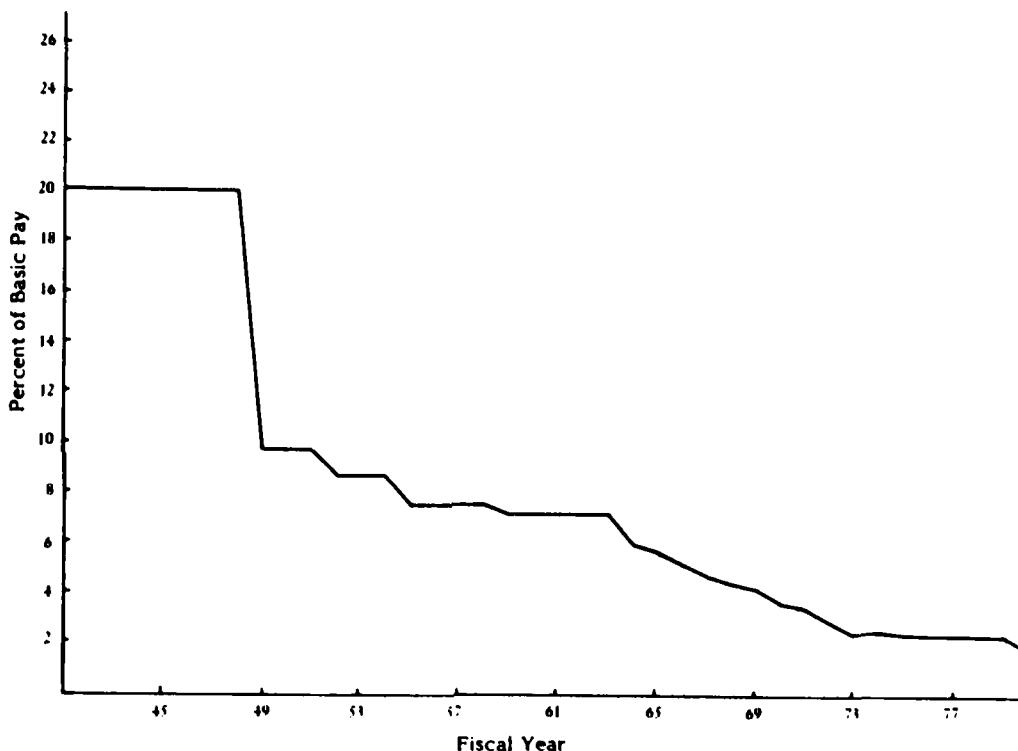


Figure 2. Certain Places Pay as percent of basic pay (E-4, 6 YOS) 1942-1980.

The effect of inflation is amplified when the purchasing power or value of the special pay is computed annually (1949-1979) relative to 1949. To illustrate, Table 4 and Figure 3 reflect the decline in the monthly purchasing power of the CPP for an E-4--from \$13.00 in 1949 to \$4.28 in 1979. Even though the dollar value of the pay has remained constant, it is worth nearly 67 percent less in 1979 than in 1949.

Perhaps the most dramatic evidence of the token nature of CPP appears in Figure 4 and Table 5. Here, we have determined the relative purchasing power of CPP over time (in 1949 dollars) for a typical enlisted (due course) who began a 31-year career in 1949. While the member occasionally received boosts in his purchasing power through advancement to higher pay grades and, hence, larger CPP rates, CPP purchasing power ultimately

Table 4

Relative Purchasing Power of Certain Places Pay: E-4, 1949-1979

Year	Certain Places Pay (\$) (E-4)	CPI (1949 = 100)	Relative Purchasing Power of CPP (\$)
49	13.00	100.0	13.00
50	13.00	101.0	12.87
51	13.00	108.9	11.94
52	13.00	111.3	11.68
53	13.00	112.2	11.59
54	13.00	112.7	11.54
55	13.00	112.3	11.58
56	13.00	114.0	11.40
57	13.00	118.1	11.01
58	13.00	121.3	10.72
59	13.00	122.3	10.63
60	13.00	124.2	10.47
61	13.00	125.5	10.36
62	13.00	126.9	10.24
63	13.00	128.4	10.12
64	13.00	130.1	9.99
65	13.00	132.4	9.82
66	13.00	136.1	9.55
67	13.00	140.1	9.28
68	13.00	145.9	8.91
69	13.00	153.8	8.45
70	13.00	162.9	7.98
71	13.00	169.9	7.65
72	13.00	175.5	7.41
73	13.00	186.4	6.97
74	13.00	206.9	6.28
75	13.00	225.8	5.76
76	13.00	238.9	5.44
77	13.00	254.0	5.12
78	13.00	273.7	4.75
79	13.00	303.4	4.28

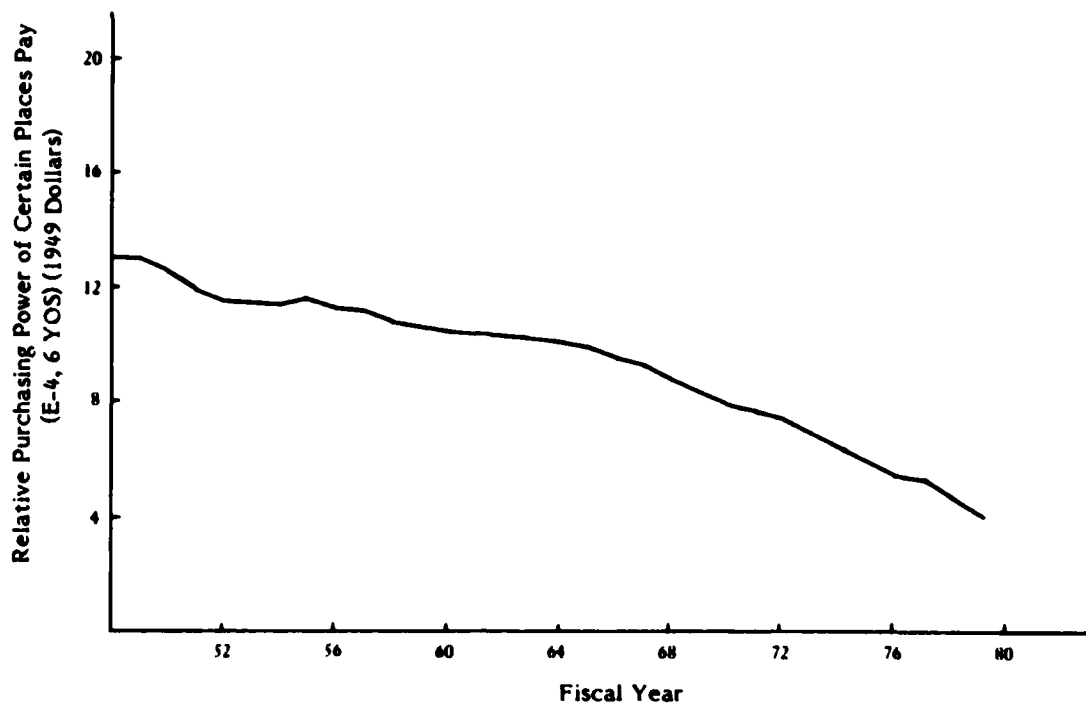


Figure 3. Relative purchasing power of Certain Places Pay (E-4, 6 YOS), 1949-1978 (in 1949 dollars).

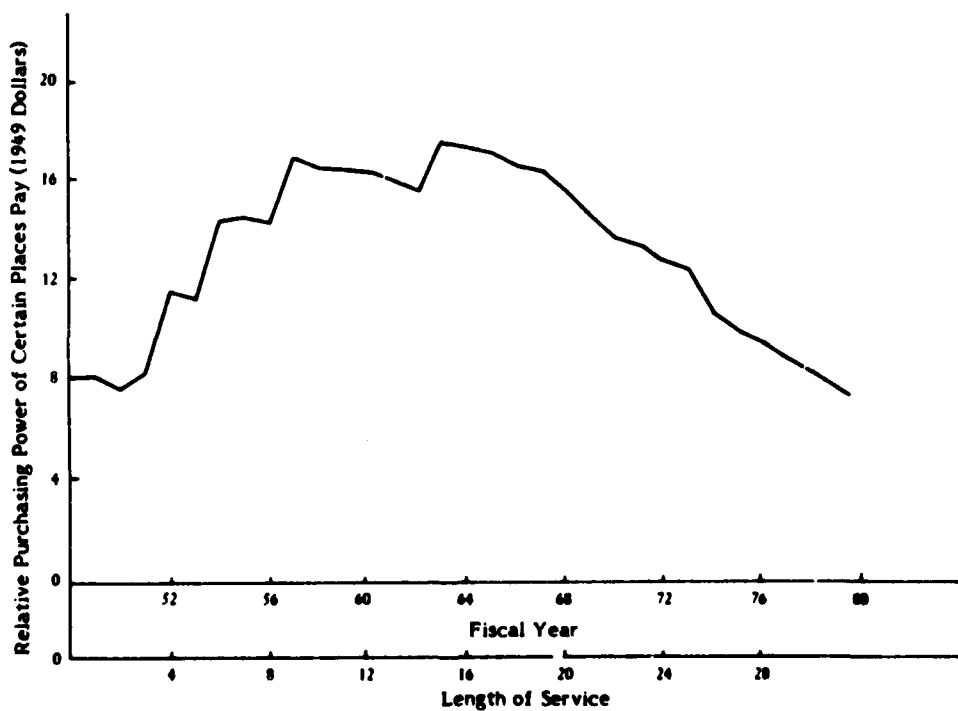


Figure 4. Relative purchasing power of Certain Places Pay over a due course enlisted career, 1949-1948 (in 1949 dollars).

Table 5

Relative Purchasing Power of Certain Places Pay Over "Due Course"
 Enlisted Career, 1949-1978
 (In 1949 Dollars)

Year	Length of Service (Year Serving)	Pay Grade (Due Course)	Certain Places Pay/Month (\$)	CPI (1949 = 100)	Purchasing Power of CPP (\$)
49	1	E-1	8.00	100.0	8.00
50	2	E-2	8.00	101.0	7.92
51	3	E-3	9.00	108.9	8.26
52	4	E-4	13.00	111.3	11.68
53	5	E-4	13.00	112.2	11.59
54	6	E-5	16.00	112.7	14.20
55	7	E-5	16.00	112.3	14.25
56	8	E-5	16.00	114.0	14.04
57	9	E-6	20.00	118.1	16.93
58	10	E-6	20.00	121.3	16.49
59	11	E-6	20.00	122.3	16.35
60	12	E-6	20.00	124.2	16.10
61	13	E-6	20.00	125.5	15.94
62	14	E-6	20.00	126.9	15.76
63	15	E-7	22.50	128.4	17.52
64	16	E-7	22.50	130.1	17.29
65	17	E-7	22.50	132.4	16.99
66	18	E-8	22.50	136.1	16.53
67	19	E-8	22.50	140.1	16.06
68	20	E-8	22.50	145.9	15.42
69	21	E-9	22.50	153.8	14.63
70	22	E-9	22.50	162.9	13.81
71	23	E-9	22.50	169.9	13.24
72	24	E-9	22.50	175.5	12.82
73	25	E-9	22.50	186.4	12.07
74	26	E-9	22.50	206.9	10.87
75	27	E-9	22.50	225.8	9.96
76	28	E-9	22.50	238.9	9.42
77	29	E-9	22.50	254.0	8.86
78	30	E-9	22.50	273.7	8.22
79	31	E-9	22.50	303.4	7.42

is so eroded by inflation that its value in the member's 31st year is less than it was in his 1st year of service (\$7.42 vs. \$8.00).

CONCLUSIONS

Certain Places Pay has declined in value and significance (relative to base pay) such that it is no more than a token payment for rigorous foreign duty.

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APPENDIX A

**DEPARTMENT OF DEFENSE EXPENDITURES FOR CERTAIN PLACES
PAY BY SERVICE AND PAY GRADE, FY70-80**

DEPARTMENT OF DEFENSE EXPENDITURES FOR CERTAIN PLACES PAY (1970-1980)*

Pay Grade	Service	1970	1971	1972	1973	1974	1975
		Number	Actual	Number	Actual	Number	Actual
		\$(100)	\$(100)	\$(100)	\$(100)	\$(100)	\$(100)
Air Force							
9		1,221	1,137	1,196	906	737	703
8		2,953	2,781	2,728	2,303	1,840	1,744
7		9,955	8,798	9,184	8,531	6,525	5,748
6		21,108	17,217	16,360	15,794	12,747	10,909
5		39,822	37,433	33,134	28,789	23,400	19,490
4		47,325	46,651	37,532	34,534	29,666	23,968
3		41,076	30,753	20,177	15,665	10,218	10,045
2		2,941	349	1,823	2,136	2,163	1,314
1		296	28	167	238	120	97
TOTAL		166,697	145,119	122,301	108,896	87,466	74,148
Army							
9		330	307	323	245	199	190
8		797	751	737	622	497	471
7		2,688	2,375	2,480	2,391	1,840	1,552
6		5,066	4,132	3,926	3,791	3,059	2,638
5		21,108	17,217	16,360	15,794	12,747	10,909
4		39,822	37,433	33,134	28,789	23,400	19,490
3		47,325	46,651	37,532	34,534	29,666	23,968
2		41,076	30,753	20,177	15,665	10,218	10,045
1		2,941	349	1,823	2,136	2,163	1,314
TOTAL		166,697	145,119	122,301	108,896	87,466	74,148
Department of Army Supporting Data							
9		774	209	443	120	357	90
8		3,177	858	1,683	454	1,243	351
7		12,705	3,430	6,287	1,697	4,482	1,310
6		19,188	4,645	9,633	2,312	8,050	2,170
5		39,436	7,572	16,505	3,169	11,743	2,562
4		77,205	12,044	28,203	4,412	16,653	3,317
3		33,107	3,576	12,036	1,300	11,700	812
2		9,566	918	6,816	654	7,534	445
1		1,142	110	614	59	538	37
TOTAL		196,300	33,372	82,340	14,177	62,340	11,039

*Based on Department of the Air Force, Army and Navy Supporting Data for FY72-80 Budget Estimate Submit to Congress.

DEPARTMENT OF DEFENSE EXPENDITURES FOR CERTAIN PLACES PAY (1970-1980) (COMI'D)*

Pay Grade	Service	1976		1977		1978		1979		1980	
		Number	Actual \$(000)	Number	Actual \$(000)	Number	Actual \$(000)	Number	Estimate \$(000)	Number	Estimate \$(000)
Air force											
9		646	174	484	131	399	108	399	104	390	105
8		1,372	370	1,046	282	1,016	274	1,017	275	1,023	276
7		4,724	1,276	3,619	977	3,430	926	3,442	929	3,458	934
6		8,955	2,149	6,904	1,676	6,323	1,518	6,343	1,522	6,331	1,520
5		16,531	3,174	12,712	2,441	12,601	2,419	12,648	2,428	12,662	2,431
4		19,757	3,082	15,057	2,349	13,506	2,107	13,554	2,114	13,539	2,112
3		8,543	923	2,989	863	8,636	933	8,665	936	8,669	936
2		1,750	168	2,451	235	2,203	211	2,210	212	2,192	210
1		40	4	361	35	398	38	399	38	436	42
TOTAL		62,318	11,320	50,703	8,989	48,512	8,534	48,677	8,562	48,700	8,566
Army											
9		286	77	274	75	257	69	256	69	247	67
8		1,043	282	1,015	274	944	255	941	254	940	245
7		4,026	1,087	3,899	1,053	3,480	940	3,470	937	3,346	903
6		7,502	1,845	6,813	1,676	5,927	1,433	5,954	1,429	5,743	1,378
5		13,409	2,575	12,249	2,352	10,580	2,031	10,548	2,025	10,174	1,953
4		18,251	2,847	15,780	2,462	17,391	2,713	17,438	2,720	16,818	2,624
3		9,033	976	6,697	723	8,128	878	8,104	875	7,816	844
2		6,744	647	6,885	661	6,888	661	6,867	659	6,624	636
1		555	53	866	83	2,000	192	1,994	191	1,923	185
TOTAL		60,849	10,389	54,483	9,359	55,595	9,172	55,572	9,154	53,598	8,835

*Based on Department of the Air Force, Army and Navy Supporting Data for FY72-80 Budget Estimate Submit to Congress.

DEPARTMENT OF DEFENSE EXPENDITURES FOR CERTAIN PLACES PAY (1970-1980) (CONT'D)*

Pay Grade	Service	1970		1971		1972		1973		1974		1975	
		Actual Number	\$(000)	Actual Number	\$(000)	Actual Number	\$(000)	Actual Number	\$(000)	Actual Number	\$(000)	Actual Number	\$(000)
Navy													
9		319	86	257	69	225	61	214	58	191	51	201	54
8		938	253	771	208	669	181	570	154	409	110	506	137
7		4,727	1,276	3,760	1,015	3,098	836	2,564	692	2,192	592	2,181	589
6		9,076	2,178	7,491	1,798	6,235	1,496	5,103	1,225	4,406	1,058	4,106	985
5		12,963	2,489	9,789	1,879	7,417	1,424	6,100	1,171	6,273	1,230	7,759	1,490
4		18,529	2,891	12,554	1,958	8,238	1,285	5,968	931	5,718	692	5,842	911
3		14,681	1,586	9,929	1,072	7,060	763	4,645	502	4,602	497	5,341	578
2/1		3,874	372	2,153	207	1,716	165	2,287	220	4,094	393	4,748	455
TOTAL		65,107	11,131	46,704	8,206	31,658	6,211	27,451	4,953	27,885	4,823	30,684	5,199
Marine Corps													
7, 8, 9		4,826	1,303	3,320	869	2,442	659	1,733	468	604	163	518	140
6		5,437	1,305	3,708	890	2,571	617	1,826	438	638	153	561	135
5		11,973	2,299	8,166	1,568	3,872	743	2,752	528	1,064	204	975	178
4		18,066	2,818	12,321	1,922	5,060	789	3,595	561	1,358	212	1,104	185
3		19,704	2,109	13,439	1,451	7,879	851	5,599	605	1,559	168	1,208	139
2/1		28,516	2,738	19,445	1,867	11,498	1,104	8,143	782	2,768	266	2,479	238
TOTAL		88,518	12,572	60,399	8,594	33,322	4,763	23,648	3,382	7,991	1,166	6,955	1,015
TOTAL INM		728,522	116,192	580,522	96,789	386,581	66,349	242,295	42,307	185,642	32,420	174,218	30,810

*Based on Department of the Air Force, Army and Navy Supporting Data for FY72-80 Budget Estimate Submit to Congress.

DEPARTMENT OF DEFENSE EXPENDITURES FOR CERTAIN PLACES PAY (1970-1980) (CONT'D)*

Pay Grade	Service	1976 Actual		1977 Actual		1978 Actual		1979 Estimate		1980 Estimate	
		Number	\$ (000)	Number	\$ (000)	Number	\$ (000)	Number	\$ (000)	Number	\$ (000)
Navy											
9		157	42	183	49	187	50	187	50	187	50
8		304	104	502	136	513	139	512	139	511	139
7		2,240	605	2,078	561	1,933	522	1,931	521	1,928	521
6		4,024	966	4,661	1,119	4,433	1,064	4,427	1,063	4,419	1,061
5		6,266	1,203	6,103	1,172	5,938	1,140	5,929	1,139	5,918	1,136
4		5,219	814	5,313	829	5,340	833	5,333	832	5,324	831
3		3,638	393	4,908	539	5,000	540	4,993	539	4,985	538
2/1		3,495	336	2,992	277	2,809	270	2,805	269	2,801	269
TOTAL		25,423	4,463	26,720	4,682	26,153	4,558	26,117	4,551	26,073	4,544
Marine Corps											
J. R. 9		1,773	479	1,769	455	1,830	494	1,895	512	1,891	511
6		2,135	512	1,857	424	1,960	470	2,050	492	2,055	493
5		3,263	626	3,326	608	3,391	651	3,228	620	3,242	622
4		4,701	733	3,948	506	4,022	627	4,247	663	4,097	639
3		6,552	708	4,590	472	5,825	629	6,278	678	6,066	655
2/1		7,940	724	7,327	669	6,949	667	7,815	750	8,042	722
TOTAL		25,954	3,782	22,817	3,214	23,977	3,538	25,513	3,715	25,393	3,642
TOTAL DND		174,554	29,934	154,723	26,244	154,237	25,402	155,879	25,987	153,765	25,587

*Based on Department of the Air Force, Army and Navy Supporting Data for FY72-80 Budget Estimate Submit to Congress.

APPENDIX B

CERTAIN PLACES PAY AS A PERCENTAGE OF ENLISTED BASE PAY, 1949-1980

CERTAIN PLACES PAY AS A PERCENTAGE OF BASE PAY FOR ENLISTED PAY GRADES 1949-1960

(Monthly by Year and Pay Grade)

Year	F-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9
	YOS-3	YOS-6	YOS-14	YOS-18	YOS-20	YOS-22	YOS-26		
80	448.80	500.10	570.30	676.80	814.80	960.00	1,091.40	1,309.50	1,629.60
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Percent Of	1.78	1.59	1.57	1.92	1.9	2.08	2.06	1.7	1.38
79	419.80	467.40	532.80	632.40	761.40	897.00	1,091.70	1,223.70	1,522.80
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	1.9	1.7	2.1	2.1	2.1	2.2	2.2	1.8	1.5
Percent Of	1.7	1.7	2.1	2.1	2.1	2.2	2.2	1.8	1.5
78	397.50	443.10	504.90	595.40	721.80	850.20	966.60	1,159.80	1,443.30
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.0	1.8	2.2	2.2	2.2	2.4	2.3	1.9	1.6
Percent Of	2.0	1.8	2.2	2.2	2.2	2.4	2.3	1.9	1.6
77	374.80	417.30	475.50	564.30	679.80	800.70	910.20	1,092.00	1,359.00
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.1	1.9	2.3	2.3	2.35	2.5	2.5	2.06	1.65
Percent Of	2.1	1.9	2.3	2.3	2.35	2.5	2.5	2.06	1.65
76	361.20	402.60	459.00	544.50	656.10	772.80	878.40	1,053.90	1,311.60
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.2	2.0	2.4	2.4	2.4	2.6	2.6	2.1	1.7
Percent Of	2.2	2.0	2.4	2.4	2.4	2.6	2.6	2.1	1.7
75	344.10	383.40	437.10	516.70	624.90	735.90	836.70	1,003.80	1,249.20
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.3	2.1	2.5	2.5	2.56	2.7	2.7	2.2	1.8
Percent Of	2.3	2.1	2.5	2.5	2.56	2.7	2.7	2.2	1.8
74	307.20	342.30	390.30	463.20	557.70	657.00	746.70	896.10	1,115.10
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.6	2.3	2.8	2.8	2.86	3.0	3.0	2.5	2.0
Percent Of	2.6	2.3	2.8	2.8	2.86	3.0	3.0	2.5	2.0
73	307.20	342.30	390.30	463.20	557.70	657.00	746.70	896.10	1,115.10
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50
Special Pay	2.6	2.3	2.8	2.8	2.86	3.0	3.0	2.5	2.0
Percent Of	2.6	2.3	2.8	2.8	2.86	3.0	3.0	2.5	2.0

CERTAIN PLACES PAY AS A PERCENTAGE OF BASE PAY FOR UNLIESED PAY GRADS 1949-1960 (CONT'D)

(Monthly by Year and Pay Grade)

Year	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	
			YOS-3	YOS-6	YOS-14	YOS-18	YOS-20	YOS-22	YOS-26	
72	290.00	320.70	365.70	434.10	522.60	615.90	699.90	840.00	1,045.70	EFF. - 1 JAN 72
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	2.77	2.49	2.46	2.99	3.06	3.24	3.2	2.67	2.15	
71	143.70	149.10	289.70	378.40	487.50	574.50	652.80	783.50	935.00	EFF. - 1 JAN 71
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	5.56	5.36	3.33	3.47	3.28	3.48	3.45	2.87	2.3	
70	137.20	130.30	249.50	347.10	451.80	532.20	605.10	726.30	903.60	EFF. - 1 JAN 70
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	6.0	5.78	3.6	3.74	3.54	3.75	3.71	3.09	2.49	
69	127.30	127.80	231.30	321.00	417.90	492.60	559.80	672.00	835.80	EFF. - 1 JAN 69
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	6.48	6.25	3.89	4.04	3.82	4.06	4.0	3.34	2.69	
68	109.50	113.40	205.50	285.00	371.10	437.40	497.10	595.70	742.20	EFF. - 1 JAN 68
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	7.3	7.0	4.37	4.56	4.3	4.57	4.5	3.77	3.0	
67	102.30	106.20	192.30	262.70	347.10	409.20	465.00	558.30	694.20	EFF. - 1 JAN 67
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	7.8	7.5	4.68	4.87	4.6	4.88	4.83	4.0	3.24	
66	96.90	100.50	182.10	252.00	328.60	387.60	440.40	528.60	657.30	EFF. - 1 JAN 66
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	8.25	7.96	4.94	5.14	4.86	5.15	5.1	4.25	3.42	
65	83.20	85.80	159.00	220.50	287.10	346.40	384.30	461.40	573.50	EFF. - 1 SEP 64
	0.00	0.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
	9.6	9.3	5.66	5.89	5.57	5.9	5.85	4.87	3.9	

CERTAIN PLACES PAY AS A PERCENTAGE OF BASE PAY FOR FM LISTED PAY GRADES 1949-1990 (CONT'D)

(Monthly by Year and Pay Grade)

Year	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	
	YOS-3	YOS-6	YOS-14	YOS-18	YOS-20	YOS-26	YOS-27	YOS-28	YOS-29	
64	83.20	85.80	155.00	215.00	280.00	330.00	375.00	450.00	560.00	EFF. - 1 OCT 63
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Percent Of	9.6	9.3	5.8	6.0	5.7	6.0	6.0	5.0	4.0	
34-63	83.20	85.80	124.00	160.00	240.00	290.00	350.00	380.00	440.00	EFF. - 1 JUL 64
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Percent Of	9.6	9.3	7.25	7.2	6.66	6.89	6.4	5.9	5.1	
55-54	83.20	85.80	117.00	187.70	226.20	273.00	304.20	325.00	350.00	EFF. - 1 APR 55
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Percent Of	9.6	9.3	7.69	7.75	7.07	7.3	7.39	7.3	7.3	
52-54	83.20	85.80	114.88	185.24	226.74	274.61	304.20	325.00	350.00	EFF. - 1 MAY 57
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Percent Of	9.6	9.3	7.84	8.95	8.05	8.17	8.17	8.17	8.17	
49-51	80.00	82.50	110.25	139.65	191.10	235.20	264.60	275.00	285.00	EFF. - 1 JUL 49
Basic Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Special Pay	8.00	8.00	9.00	13.00	16.00	20.00	22.50	22.50	22.50	
Percent Of	10.0	9.69	8.16	9.3	8.37	8.5	8.5	8.5	8.5	

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